天安中國投資有限公司

TIAN AN CHINA INVESTMENTS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 28)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December

	Notes	**2004** **HK$'000**	2003 HK$'000
Turnover	(1)	**1,973,098**	1,904,212
Cost of sales		**(1,384,741)**	(1,503,756)
Gross profit		**588,357**	400,456
Other operating income	(2)	**74,371**	52,974
Write-down of inventories of properties		**(27,889)**	(6,500)
Allowance for doubtful debts		**(21,290)**	(9,469)
Marketing and distribution costs		**(39,219)**	(46,111)
Administrative expenses		**(124,194)**	(116,813)
Other operating expenses		**(13,066)**	(6,739)
Profit from operations	(3)	**437,070**	267,798
Finance costs		**(76,353)**	(75,083)
Share of results of associates		**(1,138)**	908
Share of results of jointly controlled entities		**48,858**	72,730
Profit before taxation		**408,437**	266,353
Taxation	(4)	**(184,080)**	(88,025)
Profit before minority interests		**224,357**	178,328
Minority interests		**(23,719)**	(75,908)
Net profit for the year, retained		**200,638**	102,420
		HK cents	*HK cents*
Earnings per share	(5)		
Basic		**25.3**	12.4
Diluted		**24.9**	12.4

Notes:

(1) Segmental information and contribution analysis

The Group's turnover for the year was derived mainly from activities carried out in the People's Republic of China (the "PRC") other than Hong Kong. An analysis of the Group's turnover and segment results by business segment is as follows:

Income statement for the year ended 31st December, 2004

	Property development HK$'000	Property investment HK$'000	Sale of construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	**1,554,856**	**21,573**	**371,091**	**25,578**	**–**	**1,973,098**
Inter-segment sales	**–**	**–**	**6,753**	**4,980**	**(11,733)**	**–**
Total	**1,554,856**	**21,573**	**377,844**	**30,558**	**(11,733)**	**1,973,098**
RESULTS						
Segment results	**418,221**	**6,776**	**33,310**	**(8,083)**	**–**	**450,224**
Other operating income	**16,857**	**–**	**20,895**	**36,619**	**–**	**74,371**
Write-down of inventories of properties	**(27,889)**	**–**	**–**	**–**	**–**	**(27,889)**
Allowance for doubtful debts	**(9,381)**	**–**	**(11,877)**	**(32)**	**–**	**(21,290)**
Unallocated corporate expenses						**(38,346)**
Profit from operations						**437,070**
Finance costs						**(76,353)**
Share of results of associates	**(8,520)**	**6,973**	**–**	**409**	**–**	**(1,138)**
Share of results of jointly controlled entities	**47,166**	**2,093**	**–**	**(401)**	**–**	**48,858**
Profit before taxation						**408,437**
Taxation						**(184,080)**
Profit after taxation						**224,357**

Income statement for the year ended 31st December, 2003

	Property development HK$'000	Property investment HK$'000	Sale of construction materials HK$'000	Other operations HK$'000	Consolidated HK$'000
REVENUE	1,483,147	21,678	381,324	18,063	1,904,212
RESULTS					
Segment results	205,760	6,294	84,164	(4,349)	291,869
Other operating income	3,241	(1,368)	30,247	20,854	52,974
Write-down of inventories of properties	(6,500)	–	–	–	(6,500)
Allowance for doubtful debts	(2,360)	–	(7,109)	–	(9,469)
Unallocated corporate expenses					(61,076)
Profit from operations					267,798
Finance costs					(75,083)
Share of results of associates	(6,289)	6,572	–	625	908
Share of results of jointly controlled entities	36,511	39,489	–	(3,270)	72,730
Profit before taxation					266,353
Taxation					(88,025)
Profit after taxation					178,328

(2) Other operating income

	2004 *HK$'000*	2003 *HK$'000*
Dividend income		
– unlisted shares	**198**	117
– listed shares	**5,810**	4,561
Interest income on bank deposits and receivables	**19,670**	4,810
Refund of PRC value-added tax	**17,475**	24,818
Net realised loss on disposal of investment properties	**–**	(1,368)
Net realised gain on disposal of subsidiaries	**–**	4,600
Net realised gain on disposal of jointly controlled entities	**–**	1,358
Net unrealised loss on trading securities	**–**	(514)
Waiver of interest expenses accrued in prior years	**5,692**	–
Other income	**25,526**	14,592
	74,371	52,974

(3) Profit from operations

Profit from operations has been arrived at after charging:

	2004 *HK$'000*	2003 *HK$'000*
Depreciation of property, plant and equipment		
Owned assets	**18,735**	18,565
Assets held under finance leases	**8**	8
Less: amount capitalised on properties under development	**(980)**	(1,245)
	17,763	17,328
Amortisation and impairment of:		
Goodwill on consolidation	**2,482**	2,482
Goodwill on acquisition of associates and jointly controlled entities	**153**	182
	20,398	19,992

(4) Taxation

	2004	2003
	HK$'000	*HK$'000*
The charge (credit) comprises:		
PRC income tax		
Company and subsidiaries		
– current year provision	**63,376**	52,522
– over-provision in prior years	**(854)**	(2,233)
Share of tax of associates	**2,474**	2,342
Share of tax of jointly controlled entities	**10,286**	20,854
	75,282	73,485
Deferred tax	**108,798**	14,540
	184,080	88,025

No provision for Hong Kong Profits Tax is made as the group companies operating in Hong Kong do not have any assessable profit for the year. Certain of the Company's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. The PRC income tax is calculated at the rates applicable to respective subsidiaries.

(5) Earnings per share

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2004	2003
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**200,638**	102,420
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (which has been adjusted for the consolidation of the Company's ordinary shares on 10th March, 2004)	**794,358,424**	826,694,787
Effect of dilutive potential ordinary shares:		
– Warrants (expired on 3rd December, 2004)	**11,122,009**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**805,480,433**	826,694,787

The computation of diluted earnings per share for both years does not assume the exercise of the Company's outstanding warrants as the exercise price was higher than the average market price per share.

The computation of diluted earnings per share for both years does not assume the exercise of the outstanding share options of the subsidiary as the exercise price was higher than the average market price per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December, 2004, the Group achieved a consolidated net profit attributable to shareholders of HK$200,638,000 (2003: HK$102,420,000) which represents an increase of HK$98,218,000, or 96% above the previous year. The increases in turnover and operating profit to HK$1,973,098,000 (2003: HK$1,904,212,000) and HK$437,070,000 (2003: HK$267,798,000) respectively, representing increases of 4% and 63% respectively, were mainly the result of improved profit margins and contributions from property development and proper implementation of the Group's strategy. As at 31st December, 2004, the Group's net asset value per share was HK$5.0 (2003: HK$5.0). Earnings per share was 25.3 HK cents (2003: 12.4 HK cents), representing an increase of 104%.

Overall performance

Property Development and Investment

The Group recorded sales of total gross floor areas ("GFA") of approximately 225,000m^2 (2003: 291,000m^2), representing a decrease of 23% over 2003. Almost all sales came from high-end residential or commercial properties. Properties sold in the PRC such as Shanghai Tian An Centre, Nantong Tian An Garden (Phase 2), Shenzhen Tian An New Technology Plaza (Phase 2), Changzhou New City Garden (Phase 4), Wuxi Redhill Peninsula (Phase 3), Shanghai Tian An Villa (Phase 1) and Changchun Tian An City One (Phase 2) contributed significantly to the satisfactory performance.

During the year, a total GFA of approximately 319,000m^2 (2003: 314,000m^2) of residential/commercial properties was completed, representing an increase of 2% over last year. By the end of 2004, a total GFA of approximately 272,000m^2 (2003: 390,000m^2) was under construction, representing a 30% decrease from the preceding year, including Changzhou Tian An Villa (Phase 1), Beijing Park Apartments (formerly known as Beijing Fu Hua Building), Dalian Tian An Seaview Garden (Phase 2B) and Guangzhou Panyu Energy Conservation Scientific Technology Park (Phase 2). At the same time, a total GFA of approximately 176,000m^2 will be commenced construction in 2005, including Shanghai Tian An Yang Ming Resort (Phase 1), Changzhou New City Garden (Phase 5) and Nantong Tian An Garden (Phase 3).

Building materials

With the ongoing macro-economic adjustment programme, the volume of cement consumed in Shanghai amounted to approximately 23,000,000 tonnes for the year, a rise of approximately 10% over the previous year. During this period, the major cement suppliers boosted their supplies to the Shanghai market by approximately 30%, resulting in a steep decline in the price of cement starting in May. This had a negative impact on Shanghai Allied Cement Limited, a listed subsidiary of the Group. The volume of cement and clinker it sold during this period was 1,475,000 tonnes, an increase of 2% from the prior year.

Financial position

Liquidity and Financing

In 2004, the Group maintained its liquidity at a healthy level with a balanced portfolio of financial resources. At the end of 2004, the bank balances and cash of the Group were more than HK$527 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2004, the total borrowings of the Group amounted to approximately HK$2,519 million (2003: HK$2,450 million), including current liabilities and non-current liabilities of HK$1,714 million (2003: HK$1,565 million) and HK$805 million (2003: HK$885 million) respectively. The gearing ratio (net debt over shareholder's equity) of the Group was around 45% as at 31st December, 2004 (2003: 53%). The increase in borrowings was used to finance mainly the increase in landbank and properties under construction.

Approximately 79% of outstanding debts will expire within 2 years. Since the investments and operation of the Group are located in the PRC, most of the bank borrowings are obtained from PRC banks in Renminbi which will be repaid in the same currency. At the same time, bank borrowings in Hong Kong dollar have increased so as to benefit from the relatively lower interest rates. Around 72% of the Group's bank borrowings bear interest at fixed rates while the remaining is at floating rates.

Charges on Assets

As at 31st December, 2004, the Group's interest in a subsidiary with carrying value of HK$150,579,000 was pledged against a bank overdraft facility granted to the Group and interest in subsidiary with carrying value of HK$67,553,000 held by that subsidiary was pledged against another banking facility granted to the Group. The Group's interest in a subsidiary with a carrying value of HK$488,023,000 was pledged against a banking facility granted to the Company and properties for sale and investment properties indirectly held by that subsidiary with carrying values of HK$264,631,000 and HK$320,000,000 respectively were pledged against a banking facility granted to the Group. Additionally, bank deposits of HK$75,647,000, aggregate carrying values of development properties and investment properties of approximately HK$1,243,119,000 and HK$524,396,000 respectively, were pledged for other loans, banking facilities granted to the Group and a trade creditor.

Contingent Liabilities

As at 31st December, 2004, guarantees given to banks by the Group in respect of banking facilities granted to jointly controlled entities and a vendor of land use rights to a property development subsidiary were approximately HK$75,472,000 and HK$13,016,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$499,146,000. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Commercial bills discounted with recourse amounted to approximately HK$18,208,000. The contingent PRC land appreciation tax of subsidiaries attributable to the Group amounted to approximately HK$114,944,000 and the share of contingent land appreciation tax of jointly controlled entities amounted to approximately HK$60,820,000.

Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (collectively referred as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

Employees

As at 31st December, 2004, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 2,727 persons. The staff costs for the year under review amounted to approximately HK$78,780,000. The Group ensures that the remuneration packages for employees are competitive and employees are rewarded on performance related bases including salary and bonus.

BUSINESS REVIEW

The Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, manufacture and sale of building materials, property management and hotel operation.

The Group's target clientele are high-end users who have achieved success in various walks of life. The residential projects offered for sale by the Group during the year included Nantong Tian An Garden, Changzhou New City Garden, Wuxi Redhill Peninsula, Shanghai Tian An Villa, Changchun Tian An City One and Dalian Tian An Seaview Garden. The office buildings on offer included Shanghai Tian An Centre, Shenzhen Tian An New Technology Plaza, Guangzhou Panyu Energy Conservation Scientific Technology Park (廣州番禺節能科技園) and Dalian Tian An Tower.

Nantong Tian An Garden is situated in the centre of the new city district. With Nantong municipality's administrative centre to its east and the old city district to its west, the development is uniquely blessed in terms of location. The project's designers have put much effort to harmonize the architecture with the ecological and aquatic environment, as well as the community culture. The result is well-balanced views and spaces, and the seamless integration of internal and external perspectives. In particular, Phase 2 features a "garden within the garden" – the Tian An Garden Luxury Villas (天安花園尊邸美墅). They will satisfy the requirements of top-end users, offering sales packages complementing those of apartments. The launch in the first half of the year met with an enthusiastic response, with hundreds of buyers queuing up constantly. The project's sales prices achieved for the year were strong, becoming one of the Group's most important profit centres.

Shanghai Tian An Centre is located in Huangpu District, Nanjing Road West, Shanghai, at the business hub around Renmin Square. Floors 1-4 are used for commercial purpose, while Floors 5-30 provide Grade A office space. Clients already include multinational corporations such as Mercedes-Benz, Nikon and Maersk. Shanghai Tian An Centre is adjacent to the Shanghai Municipal Government, Park Hotel and J.W. Marriott Hotel, conglomerating the best influence of economic environment. Its neighbours also include the Shanghai Museum, the City Planning Administration, the Art Museum and the Opera House, congregating the best artistry of city culture. Designed, built, outfitted and managed to international standards, the Centre sets a benchmark for prestige and value. Tian An Centre will become a landmark property whether in terms of history, geography, administration, humanity or opulence. The continuing robust prospects for Shanghai's office rental market will allow the Centre's advantages to come even more into play. With strong rentals and sales, the Centre has become the Group's flagship project in Shanghai and one of our most important profit centres.

ANALYSIS OF MARKET RISKS

In late April, the government of the PRC actively applied its policy of macro-economic adjustment. The programme's central thrust is to use market means to tighten bank lending and restrict land supply. The aim is to reduce the scale of fixed capital investment, fight inflation, ease shortages in raw materials and electricity and to slow the rise in property prices. However, after the macro-economic adjustment, the price of property has risen, perhaps even more than before the adjustment measures. The Group believes that there are objective reasons for the rise in property prices:

1. A sudden decline in land supply resulting in properties demand outstripping supply;
2. Between 1993 and 1999, property prices in mainland China fell by about 60%. The rises in recent years were in part a recovery of lost ground;
3. With the mainland's stock markets in the doldrums and low interest rates, people were unable to find attractive ways to invest their cash. They put much of it into property, greatly increasing demand;
4. The government, keen to curb the property market but also worried that big fluctuations in prices would affect GDP growth, has been cautious in its policy;
5. Since property development financing are hard to come by and the pace of project relocation is slow, developers have slowed their launches of new projects. Some developers wish to hold on to their units, which reduces supply;
6. The mainland economy's positive growth prospects also drive up property prices.

These factors mean that there is still room for mainland property prices to rise. The government may introduce new measures to curb them. As a professional developer, Tian An will make use of the opportunities to develop real estate and maximize profits, while adopting appropriate strategies to deal with the changing economic environment. In the longer term, the Group hopes property prices will rise steadily but moderately, which would help the market develop in a healthy manner. The Group takes a cautiously optimistic view of the market.

OUTLOOK

For the past 25 years, China's economy has been booming. GDP growth averaged 9% annually. China aims to achieve a per capita GDP of US$3,000 by 2020. This exciting target presents unprecedented opportunities, as well as formidable challenges. The country has also become the primary engine of growth for the global economy.

The Group's main businesses are in the eastern part of the mainland, which is one of the economically vibrant regions of China. These businesses are benefiting from the nation's growth. On the one hand, urban construction is approaching a climax, with the building of basic infrastructure an onerous task. The boundless opportunities have attracted the participation of multinational corporations. On the other hand, China, as the "world's factory," is suffering grievously from such problems as energy shortages, environmental degradation and uneven development. While grasping opportunities in a timely fashion, the Group must also adopt an attitude of walking on thin ice as it develops its business. In the past year, the Group has reorganized personnel in Hong Kong as well as eastern, southern and northern China in order to rationalise its staff structure. Coupled with ongoing reform initiatives, they gradually make the Group's strengths more evident while diminishing its weaknesses. The Group is confident it can become one of the premier real estate companies.

DIVIDEND

The Board of Directors resolved not to recommend any final dividend for the year ended 31st December, 2004 (2003: nil).

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

In order to ensure compliance with the new Code on Corporate Governance Practices as contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and to align the Company's Articles of Association with the current practices under the Listing Rules, it is proposed that certain amendments be made to the Company's Articles of Association. A special resolution to give effect to the proposed amendments to the Company's Articles of Association will be proposed at the forthcoming Annual General Meeting of the Company. Particulars of the proposed amendments will be set out in a circular to be despatched to the shareholders of the Company and in the notice of the aforementioned Annual General Meeting to be published in due course.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

The Company repurchased 82,000 shares at the consideration of HK$1.88 per share on the Stock Exchange in December 2004 and the aggregate consideration paid was HK$154,160.00.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31st December, 2004.

PUBLICATION OF DETAILED INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The detailed information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31st March, 2004, which remains applicable to results announcements in respect of accounting periods commenced before 1st July, 2004 under the transitional arrangements, will be published on the website of the Stock Exchange in due course.

By Order of the Board
Tian An China Investments Company Limited
Patrick Lee Seng Wei
Chairman

Hong Kong, 30th March, 2005

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Patrick Lee Seng Wei (Chairman), Mr. Ng Qing Hai (Managing Director), Mr. Ma Sun, Mr. Edwin Lo King Yau and Mr. Li Chi Kong being the Executive Directors, Mr. Moses Cheng Mo Chi and Miss Lisa Yang Lai Sum being the Non-Executive Directors, and Mr. Francis J. Chang Chu Fai, Mr. Goodwin Gaw, Mr. Ngai Wah Sang and Mr. Xu Su Jing being the Independent Non-Executive Directors.